



Energy Bill Conference Report Showers Billions on Polluting Industries

“I will tell you with \$55 oil we don't need incentives to oil and gas companies to explore. There are plenty of incentives.”

President George W. Bush, quoted in the Washington Post
House Energy Bill Increases Tax Breaks: Legislation at Odds With Bush Proposal, 4/19/05

The Energy Policy Act of 2005 (H.R.6) hands over billions in taxpayer dollars to big oil, gas, coal and nuclear companies. **Between the bill's tax breaks, direct spending, and authorizations, the energy conference report would provide more than \$25 billion to polluting energy interests.** This conservative figure could balloon significantly higher once the cost of the more than 16 loan guarantees for coal power plants and nuclear power facilities and royalty relief for oil and gas development are factored in that overall cost. Some of the most egregious special interest handouts were added late at night by the conference committee with little or no debate. The conference report would provide:

At least \$4 billion for the oil and gas industry

- **Establish a new research and development program for ultra deep-water and unconventional oil and gas development.** Rep. Ralph Hall (R-Texas) added this eleventh-hour provision in the conference committee in the absence of open debate. The House energy bill mandates \$1.5 billion from royalty revenues for oil and gas drilling over the next ten years be used for research, develop, and demonstration of technology for commercial use to drill in waters deeper than 15,000 feet and unconventional sources such as coalbed methane.
- **Expands money-losing royalty-in-kind schemes.** H.R. 6 authorizes the Interior Secretary to expand the royalty-in-kind program (sec. 342). This would allow oil companies who drill on public lands to pay royalties owed to taxpayers in barrels of oil. In 1998, the Mineral Management Service estimated that similar provisions would cost the federal government between \$140 million and \$367 million annually.
- **Grants royalty exemptions for onshore and off-shore oil and gas development.** H.R. 6 authorizes the Interior Secretary to grant royalty exemptions for marginal wells that produce less than 15 barrels of oil per well per day or 90 million Btu of gas per well per day (sec. 343). The bill also gives the secretary authority to waive royalty payments for drilling in the Gulf of Mexico (sec. 344 and 245), offshore Alaska (sec. 346), gas hydrate extraction on the Outer Continental Shelf and federal lands in Alaska (sec. 353 as well as for methods to increase oil and gas extraction using carbon dioxide (sec. 354).

- **Creates new tax breaks for oil and gas exploration.** The bill would allow oil and gas companies to immediately deduct geological and geophysical expenditures. This change would grant oil and gas producers yet another method to avoid taxes and recover their costs faster than other energy producers. The Joint Committee on Taxation estimates the costs of these provisions would be more than \$974 million.

At least \$9.1 billion for the coal industry

- **Establishes new “clean coal” programs.** The bill establishes two new federally funded research and development programs for “clean coal,” even though a series of reports from the Government Accountability Office (GAO) have documented egregious waste, mismanagement and failure in the use of existing clean coal subsidies. The Clean Coal Power Initiative (sec. 401) would cost \$1.8 billion and the brand new Clean Air Coal Program (sec. 411)—would cost taxpayers \$3 billion. In addition, the managers’ amendment contained a provision that would allow the Department of Energy to issue loan guarantees from an IGCC plant built by Excelsior.
- **Continues the existing coal research and development program.** The conference report establishes a federally funded research and development program costing \$1.1 billion to ensure coal remains a cost-competitive source for electrical generation (Sec. 962). This program also supports the producing, refining and burning of coal.
- **Creates new loan guarantees for coal plants.** The conference report authorizes at least 16 separate loan and loan guarantees for coal-fired power plants (Sec. 411, 412, 413, 414 and 964). Section 411 would lend \$80 million to the Healy Plant in Alaska to convert an existing clean coal plant into a regular coal burning plant. Sec. 412 provides a loan guarantee for a 400 megawatt coal gasification plant, and the Sec. 414 provides loan guarantees for five coke gasification plants.

At least \$12 billion for nuclear power

- **Create the first production tax credit for nuclear power.** The bill would give nuclear power companies a first-ever electricity production. The credit is worth 1.8 cents per kilowatt-hour for advanced nuclear power plants that are placed into operation before Jan.1, 2021. The credits could benefit three companies—Dominion, Entergy and Exelon—which have applied with the Nuclear Regulatory Commission for early site review to build new nuclear power facilities. **Over the lifetime of the credit, the nuclear power industry will reap \$5.7 billion in tax benefits.** The Joint Committee on Taxation has estimated the credit will cost \$278 million during the last two years of the committee’s ten-year estimation window.
- **Leave taxpayers on the hook for nuclear accidents.** The conference report reauthorizes the Price Anderson Act (Sec. 602), which would extend liability caps on nuclear power plants in case of a nuclear accident, for 20 years. Worse, the bill contains specific provisions to facilitate the construction of the Pebble Bed Modular Reactor, a design that features no conventional protective containment structure (Sec. 608).
- **Encourages nuclear proliferation and authorize more than \$1.5 billion for nuclear energy research and development (951-955).** H.R. 6 authorizes \$432 million for the Nuclear Power 2010 Initiative, Generation IV research and development, and other programs geared to address

and overcome the principal technical obstacles to the expanded use of nuclear energy, and to create a domestic and overseas market for nuclear power (Sec. 951-952). H.R. 6 also authorized \$580 million in funding for the Advanced Fuel Cycle Initiative (Sec. 953). This program would subsidize the nuclear industry's attempts to reprocess spent nuclear waste. This program reverses long-standing non-proliferation policy established under the Ford administration, which prohibited the reprocessing of nuclear fuel because it separates out dangerous plutonium that can be used for the creation of nuclear weapons.

- **Funds nuclear hydrogen co-generation projects.** H.R. 6 authorizes more than \$1.3 billion to support the generation of hydrogen from nuclear power (Sec.634, 641). Among the projects this handout would support is a \$1.25 billion project located at the Idaho National Lab. These projects stretch the boundaries of legitimate federal research and development by making taxpayers liable for the construction and potential operation of a nuclear reactor to create hydrogen. In addition, the bill provides \$100 million (Sec. 634) for two hydrogen demonstration projects at existing nuclear power plants.
- **Contains loan guarantees for new nuclear power plants.** H.R. 6 authorizes the federal government to provide loan guarantees for up to 80 percent of the cost of constructing new nuclear power plants (sec. 1701-1704). The loan guarantees are geared toward the nuclear power to enable it to secure private financing to build new plants.
- **Provides \$2 billion worth of risk insurance.** The bill includes a \$2 billion risk insurance program for the construction of up to six new reactors. This provision was not included in either the House or Senate passed energy bills.

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